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EXAMINER

CAMPBELL, KELLIE L

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PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b> 10/656,408	<b>Applicant(s)</b> BATESON ET AL.	
	<b>Examiner</b> Kellie Campbell	<b>Art Unit</b> 4115	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 05 September 2003.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-32 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-32 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on September 5, 2003 is/are: a) ☐ accepted or b) ☒ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)            | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)   | Paper No(s)/Mail Date. _____                                      |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date <u>See Continuation Sheet</u> .                                  | 6) <input type="checkbox"/> Other: _____                          |

Continuation of Attachment(s) 3). Information Disclosure Statement(s) (PTO/SB/08), Paper No(s)/Mail Date :Sepetember 22, 2003 and October 22, 2003 .

### **DETAILED ACTION**

1. The following is a first, non-final Office Action on the merits in response to the application filed on September 5, 2003. **Claims 1-32** are pending and have been examined.

#### ***Information Disclosure Statement***

2. The Information Disclosure Statements filed on September 22, 2003 and October 22, 2003 are in compliance with the provisions of 37 CFR 1.97 and have been considered. Initialed copies of the Forms 1449 are enclosed herewith.

#### ***Drawings***

3. The drawings received on September 5, 2004 are objected to for handwritten numbering in Figures 1-3. New corrected drawings in compliance with 37 CFR 1.121(d) are required in this application. Applicant is advised to employ the services of a competent patent draftsman outside the Office, as the U.S. Patent and Trademark Office no longer prepares new drawings. The corrected drawings are required in reply to the Office action to avoid abandonment of the application. The requirement for corrected drawings will not be held in abeyance.

#### ***Claim Rejections - 35 USC § 101***

4. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

5. **Claims 1-32** are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

6. Based on Supreme Court precedent, a proper process must be tied to another statutory class or transform underlying subject matter to a different state or thing (*Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780,787-88 (1876)). Since neither of these requirements is met by the Claims 1-17 which recite process steps, the methods are not considered a patent eligible processes under 35 U.S.C. 101. To qualify as a statutory process, the claim should positively recite the other statutory class to which it is tied, for example by identifying the apparatus that accomplished the method steps or positively reciting the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

7. **As per Claim 1**, it is directed to a process, however, all of the recited steps of “agreeing” and “combining” are directed to abstract ideas which can be performed via a series of mental steps by a human being and/or with paper and pencil. Therefore, this claim is directed to nonstatutory subject matter.

8. **As per Claims 2-12**, they are directed to a process, however, all of the recited steps of “investing” , “entering” , “using”, and “adjusting” are directed to abstract ideas which can be performed via a series of mental steps by a human being and/or with paper and pencil. Therefore, these claims are directed to nonstatutory subject matter.

9. **As per Claim 13**, it is directed to a process, however, all of the recited steps of “creating” and “receiving” are directed to abstract ideas which can be performed via a series of mental steps by a human being and/or with paper and pencil. Therefore, these claims are directed to nonstatutory subject matter.

10. **As per Claims 14-25**, they are directed to a process, however, all of the recited steps of “entering”, “calculating”, “using”, “sharing”, “receiving”, “determining”, “liquidating”, and “making” are directed to abstract ideas which can be performed via a series of mental steps by a human being and/or with paper and pencil. Therefore, this claim is directed to nonstatutory subject matter.

11. **As per Claim 26**, it is directed to a process, however, all of the recited steps of “establishing”, “receiving”, “investing”, and “participating” are directed to abstract ideas which can be performed via a series of mental steps by a human being and/or with paper and pencil. Therefore, these claims are directed to nonstatutory subject matter.

12. **As per Claims 27-31**, it is directed to a process, however, all of the recited steps of “receiving”, “reporting”, and “sharing” are directed to abstract ideas which can be performed via a series of mental steps by a human being and/or with paper and pencil. Therefore, these claims are directed to nonstatutory subject matter.

13. **As per Claim 32**, it is directed to a process, however, all of the recited steps of “creating”, “receiving”, “entering”, “resetting”, “recalculating”, and “reporting” are directed to abstract ideas which can be performed via a series of mental steps by a human being and/or with paper and pencil. Further, the preamble reciting “facilitating an online auction” does not cure this deficiency because it does not positively recite the

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involvement of another statutory class. Therefore, this claim is directed to nonstatutory subject matter.

***Claim Rejections - 35 USC § 102***

14. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

15. **Claim 1 and 11-14 are rejected under 35 U.S.C. 102(e) as being anticipated by U.S. Patent Application Publication No. 2004/0225536 to Schoen et al. (hereinafter Schoen).**

16. **As per Claim 1**, Schoen discloses a method for providing stable value, the method comprising: agreeing to provide a first stable return to a first entity (§5, Insurance companies may offer permanent policies under two distinct legal structures.... The second policy design ... is a separate account policy design, or variable policy), the first stable return correlated to a first plurality of life insurance policies (§18, 100% of the policy cash value will be protected in the event a single (i.e., avoiding the limitations and inefficiencies of purchasing multiple general account policies from multiple insurers simultaneously) insurer becomes insolvent) agreeing to

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provide a second stable return to a second entity (§5, Insurance companies may offer permanent policies under two distinct legal structures.... The second policy design ... is a separate account policy design, or variable policy), the second stable return correlated to a second plurality of life insurance policies (§19. 100% of the protection provided by the wrap/financial guarantee provider(s) will continue to be provided according to the original terms, at a set cost, irrespective of the financial condition (i.e., downgrade or insolvency) of the wrap/financial guarantee provider(s)); and combining aspects of the first and second agreements (§22, Applicant's solution resides in an overriding superstructure that governs all terms, costs and most importantly, the relative position (share of risk and revenue) of each wrap/financial guarantee provider within a plurality of wrap/financial guarantee providers according to a pre-defined, pre-agreed-to formula. The superstructure may be embodied and implemented within various forms. For example, a written agreement or other legal document specifying the rights and obligations of each wrap/financial guarantee provider within a defined pool), wherein the combined aspects of the first agreement and the second agreement distributes some risk of early withdrawal by the first entity to the second entity (§39, the pooling is intended to provide maximum value, utility and benefit to policyholders (or other end buyers, e.g., retail investors, financial institutions or other institutions seeking financial products such as hedges or other derivatives that ordinarily expose one or both parties to default risk), policyholders or other end-buyers can be provided with as much value as possible (e.g., highest return possible, lowest expense possible, lowest default risk possible, maximum income or other benefits possible and §12, These "wraps" involve

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varying degrees of risk transfer to a wrap/financial guarantee provider, who can be the issuing insurer, a related entity or an unrelated entity). Examiner notes that Schoen's invention is directed to life insurance policies.

17. **As per Claim 11**, Schoen discloses a method according to claim 1, wherein the first and second agreements are between a provider of stable value and first and second insurance companies respectively (§22, Applicant's solution resides in an overriding superstructure ...superstructure may be embodied and implemented within various forms. For example, a written agreement or other legal document specifying the rights and obligations of each wrap/financial guarantee provider within a defined pool, §24, ... a pool comprised of all Property Casualty Insurers or all Life Insurers or all Commercial Banks will provide less true diversification than one comprised of member(s) from each financial services category... One can conceive of almost endless combinations, and §39, The members of the pool agree to provide minimum rates of returns or Stable Value).

18. **As per Claim 12**, Schoen discloses a method according to claim 1, wherein the first and second stable returns are provided to respective first and second companies (§22, Applicant's solution resides in an overriding superstructure ...superstructure may be embodied and implemented within various forms. For example, a written agreement or other legal document specifying the rights and obligations of each wrap/financial guarantee provider within a defined pool, §24, ... a pool comprised of all Property Casualty Insurers or all Life Insurers or all Commercial Banks will provide less true diversification than one comprised of member(s) from each financial services

category... One can conceive of almost endless combinations, and ¶39, The members of the pool agree to provide minimum rates of returns or Stable Value).

19. **As per Claim 13**, Schoen discloses a method for providing stable value, the method comprising: creating a fund to provide a plurality of stable returns to a plurality of entities (¶22, Applicant's solution resides in an overriding superstructure ...superstructure may be embodied and implemented within various forms. For example, a written agreement or other legal document specifying the rights and obligations of each wrap/financial guarantee provider within a defined pool, ¶24, ... a pool comprised of all Property Casualty Insurers or all Life Insurers or all Commercial Banks will provide less true diversification than one comprised of member(s) from each financial services category... One can conceive of almost endless combinations, and ¶39, The members of the pool agree to provide minimum rates of returns or Stable Value), the stable returns correlated to a plurality of life insurance policies (¶40, Such a pooling mechanism can be constructed for other long-term risks as an alternative to reinsurance .... Disability insurance, workers compensation and long-term care insurance may not have a cash value component, but often pay benefits over extended periods of years. Therefore, policyholders face the risk of lost income or benefits in the event of the insurer's insolvency. If a separate account policy can be created for these types of coverage, the pooling concept can be used to improve the position of the policyholder); and receiving investments in the fund (¶23, The agreement can also stipulate the process and terms for appointing a replacement wrap/financial guarantee provider (for a vacant slot) or for adding new slots and wrap/financial guarantee

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providers according to the aggregate business written or other criteria. The governing agreement can further define the type of company or entity that is eligible for each slot in the pool), wherein participation in the fund distributes some risk of early withdrawal by any one of the entities to the remaining entities (§23, In the case a wrap/financial guarantee provider is expelled from the pool, withdraws voluntarily, or becomes insolvent, the agreement must stipulate in advance the share each of the remaining wrap/financial guarantee providers will inherit from the vacant slot ).

20. **As per Claim 14**, Schoen discloses a method according to claim 13, further comprising: entering into a stable value derivative contract (§12, During the mid-1990s a derivative financial product referred to as a stable value wrap and §16, Certain institutional buyers can now utilize a stable value wrap/financial guarantee or redemption value wrap).

### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

21. **Claims 2, 7, 9, 15-21, and 26-32 are rejected under 35 U.S.C. 103(a) as being unpatentable over Schoen in view of U.S. Patent No. 5,926,792 B2 to Koppes et al. (hereinafter Koppes).**

22. **As per Claim 2**, Schoen discloses a method according to claim 1, wherein combining aspects of the first and second agreements further comprises: entering into a stable value derivative contract (§12, During the mid-1990s a derivative financial product referred to as a stable value wrap and §16, Certain institutional buyers can now utilize a stable value wrap/financial guarantee or redemption value wrap). Examiner notes that a stable value wrap may be a swap which is a derivative contract. Schoen does not explicitly disclose investing in a stable value fund. However, Koppes teaches investment in a stable value fund (Column 2, Lines 57-59, Stable Value Protected Investment and Column 3, Line 18 Stable Value Protected funds). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to combine the stable value wrap of Schoen with the stable value fund of Koppes in order to guarantee the participant liquidity at book while smoothing gains and losses on assets and participant withdrawals into amortized adjustments of the future crediting rate as taught by Koppes (Column 4, Lines 60-65).

23. **As per Claim 7**, Schoen does not explicitly disclose a method according to claim 1, wherein the first and second plurality of life insurance policies are company owned life insurance policies. However, Koppes teaches life insurance policies that are company owned life insurance policies (Column 1, Line 17, corporate owned life insurance) Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention Schoen with the teaching of Koppes such that the first and second plurality of life insurance policies are company owned life insurance policies. A person having ordinary skill in the art at the time the

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invention was made would have been motivated to do so because company owned life insurance policies are an efficient funding mechanism for employee benefits as taught by Koppes (Column 2, Lines 45-49, corporate owned life insurance policies are an efficient funding mechanism for employee benefits. The nature of COLI allows corporations to invest money in mutual fund-type investments and ultimately receive the growth on the investment tax free).

24. **As per Claim 9**, Schoen further does not explicitly disclose a method according to claim 7, wherein the company is a bank. However, Schoen does teach banks owning life insurance policies (§10, Banks and other financial institutions purchasing life insurance). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to have the company of claim 7 be a bank because banks want stable earnings as taught by Schoen (§10, Banks and other financial institutions purchasing life insurance want stable, predictable earnings).

25. **As per Claim 15**, Schoen does not explicitly disclose a method according to claim 13, further comprising: a market value per unit for each of the investments in the fund (§10, Application of TB 85-4 generally results in volatile earnings (commonly referred to as mark-to-market accounting). Schoen does not explicitly disclose a method according to claim 13, further comprising: calculating a book value per unit for each of the investments in the fund. However, Koppes teaches calculating a book value per unit for each of the investments in the fund (Column 3, Line 20-24, The Stable Value Protected funds provide an initial targeted return for the first period of an investment. Upon completion of the first period, the value of the fund, the "market value," is

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compared with the "calculated" value of the fund which is the "book value". The "calculated" value of the fund is calculated by multiplying the initial value of the fund by  $(1 + \text{targeted return})$ . Column 5, Lines 39-40, the targeted returns are translated into unit values (UV) on a daily basis for each fund). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen having the data structures of book value and market value (§83) (with the teaching of Koppes to calculate the market value per unit for each of the investments in the fund. A person having ordinary skill in the art at the time the invention was made would have been motivated to do so in order to insure that the book value and the market value move closer together over a period of time, namely the duration of a fund as taught by Koppes (Column 3, Lines 33-36)

26. **As per Claim 16**, Schoen discloses a method according to claim 15, further comprising: using the book value per unit for qualified withdrawals from the fund (§15, Generally, the wrap provider promises to pay the policyholder the "book value" of its portion of assets within the policy separate account in the event the policy owner surrenders the policy).

27. **As per Claim 17**, Schoen does not explicitly disclose a method according to claim 16, further comprising: sharing among remaining investors a cost of a pro rata share of an excess of book value per unit over market value per unit when the book value per unit exceeds the market value per unit. However, Schoen does teach sharing prorated risk among remaining investors (§ 97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must

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accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen so that the sharing among remaining investors a cost of a pro rata share of an excess of book value per unit over market value per unit occurs when the book value per unit exceeds the market value per unit in order to optimize the overall safety of the pool as taught by Schoen (§24).

**As per Claim 18**, Schoen does not explicitly disclose a method according to claim 16, further comprising: receiving a payment in an amount sufficient to increase the market value per unit to equal the book value per unit when the book value per unit exceeds the market value per unit and the market value is less than an amount of the qualified withdrawal. However, Schoen teaches making a payment when the book value per unit exceeds the market value per unit and qualified withdrawal occurs (§12, The formula for crediting earnings to the policy cash value serves to build a cushion of future earnings from which the wrap provider can offset losses in the event of a policy-surrender while book-value is greater than market-value). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to have the policy receive payments in an amount sufficient to increase the market value per unit to equal the book value per unit when the book value per unit exceeds the market value per unit and the market value is less than an amount

of the qualified withdrawal in order to build a cushion of future earnings from which the wrap provider can offset losses as taught by Schoen (§12)

28. **As per Claim 19**, Schoen does not explicitly disclose a method according to claim 16, further comprising: sharing among remaining investors a benefit of a pro rata share of the excess of market value per unit over book value per unit when the market value per unit exceeds the book value per unit. However, Schoen does teach sharing prorated profits among remaining investors (§ 97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled and §39, For example, marginal profit above a certain threshold can be progressively credited back to policyholders). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen so that the sharing among remaining investors a benefit of a pro rata share of an excess of market value per unit over book value per unit occurs when the market value per unit exceeds the book value per unit in order to provide maximum value, utility and benefit to policyholders as taught by Schoen (§39).

29. **As per Claim 20**, Schoen does not explicitly disclose a method according to claim 15, further comprising: using the lesser of the book value per unit or the market value per unit for non-qualified withdrawals from the fund. However, Schoen teaches paying withdrawals based on book value (§12, Generally, the wrap provider promises to pay the policyholder the "book value" of its portion of assets within the policy

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separate account in the event the policy owner surrenders the policy). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to use the lesser of the book value per unit or the market value per unit for non-qualified withdrawals from the fund in order to provide an incentive to participants to only make qualified withdrawals.

30. **As per Claim 21**, Schoen does not explicitly disclose a method according to claim 20, further comprising: sharing among remaining investors a benefit of a pro rata share of the excess of market value per unit over book value per unit or an exit fee from the non-qualified withdrawal. However, Schoen does teach sharing prorated profits among remaining investors (§ 97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled and §39, For example, marginal profit above a certain threshold can be progressively credited back to policyholders). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen so that the sharing among remaining investors a benefit of a pro rata share of an excess of market value per unit over book value per unit occurs when the market value per unit exceeds the book value per unit for non-qualified withdrawals from the fund in order to improve the position of the policyholders as taught by Schoen (§40).

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**As per Claim 26**, Schoen discloses a method for providing stable value, the method comprising: establishing a separate account (§5, Insurance companies may offer permanent policies under two distinct legal structures.... The second policy design ... is a separate account policy design, or variable policy), participating in the risk or reward of fund early withdrawal by any of the similar entities (§97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled). Schoen does not explicitly disclose a method for providing stable value, the method comprising: receiving a premium for a company owned life insurance policy; investing a substantial portion of the premium in a fund, the fund receiving similar investments by similar entities. However, Koppes teaches a receiving a premium for a company owned life insurance policy (Column 12, Lines 9-13, the system determines premiums for the participant and a face amount for the policy assigned to the participant and Column 12, Line 21 premiums paid); investing a substantial portion of the premium in a fund (Column 12, Lines 61-63, Based on these calculations and comparisons, in step 1128, an initial unit value of the new fund is set and, in step 1130, the system stores the initial unit value of the policy), the fund receiving similar investments by similar entities (Column 11, Lines 62-67, Each separate account contains divisions which correspond to the investment choices of a particular company, and each insurance policy for each of the employees working for the company making the investment may choose an investment. Therefore, it would have

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been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen with the teachings of Koppes in order to have a method to track, reconcile, and administer the values of the life insurance policies in separate accounts as taught by Koppes (Column 11, Lines 60-62).

31. **As per Claim 27**, Schoen does not explicitly disclose a method according to claim 26, further comprising: receiving information corresponding to a book value of the investment; and reporting the book value information to policy holders for use in periodic financial statements. However, Koppes teaches receiving information corresponding to a book value of the investment (Column 14, Lines 58-60, from the investment manager, the SVP writer collects information regarding the book value and market value of funds, the value of underlying securities and the investment value of the funds. This information is imported by the system of the present invention) and reporting the book value information to policy holders (Column 8, Lines 9-12, A printer 22 prints reports 24 showing plan sponsors and participants their present positions and Column 5, lines 52-54, Additionally, the present invention calculates daily unit values given a periodic targeted return). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen having a data structure including a book value (¶83 and Representative Table for Data Structures in Fig 9. book value) with the teachings of Koppes so that information is received corresponding to a book value of the investment and reporting the book value information to policy holders for use in periodic financial statements. A person having ordinary skill in the art at the time the invention was made would have been motivated

to do so in order to solve the problem of keeping participants aware of the value of the investment as taught by Koppes (Column 2, Lines 38-40, Finally, participants were previously largely uninformed as to the value of their deferred money and benefits).

32. **As per Claim 28**, Schoen does not explicitly disclose a method according to claim 26, further comprising: sharing a cost of a pro rata share of an excess of a book value per unit over a market value per unit when the book value per unit exceeds the market value per unit. However, Schoen does teach sharing prorated risk among remaining investors (§ 97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and § 101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen so that the sharing among remaining investors a cost of a pro rata share of an excess of book value per unit over market value per unit occurs when the book value per unit exceeds the market value per unit in order to optimize the overall safety of the pool as taught by Schoen (§ 24).

33. **As per Claim 29**, Schoen discloses a method according to claim 26, further comprising: receiving a payment in an amount sufficient to increase a market value per unit to equal a book value per unit when the book value per unit exceeds the market value per unit and the market value is less than an amount of a qualified withdrawal. However, Schoen teaches making a payment when the book value per unit exceeds the

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market value per unit and qualified withdrawal occurs (§12, The formula for crediting earnings to the policy cash value serves to build a cushion of future earnings from which the wrap provider can offset losses in the event of a policy-surrender while book-value is greater than market-value). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to have the policy receive payments in an amount sufficient to increase the market value per unit to equal the book value per unit when the book value per unit exceeds the market value per unit and the market value is less than an amount of the qualified withdrawal in order to build a cushion of future earnings from which the wrap provider can offset losses as taught by Schoen (§12).

34. **As per Claim 30**, Schoen does not explicitly disclose a method according to claim 26, further comprising: sharing a benefit of a pro rata share of an excess of a market value per unit over a book value per unit when the market value per unit exceeds the book value per unit. However, Schoen does teach sharing prorated profits among remaining investors (§ 97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled and §39, For example, marginal profit above a certain threshold can be progressively credited back to policyholders). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen so that the sharing among remaining investors a benefit of a

pro rata share of an excess of market value per unit over book value per unit occurs when the market value per unit exceeds the book value per unit for non-qualified withdrawals from the fund in order to provide maximum value, utility and benefit to policyholders as taught by Schoen (§39).

35. **As per Claim 31**, Schoen does not explicitly disclose a method according to claim 26, further comprising: sharing a benefit of a pro rata share of an excess of a market value per unit over a book value per unit or an exit fee from a non-qualified withdrawal. However, Schoen does teach sharing prorated profits among remaining investors (§ 97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled and §39, For example, marginal profit above a certain threshold can be progressively credited back to policyholders). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen so that the sharing among remaining investors a benefit of a pro rata share of an excess of market value per unit over book value per unit occurs when the market value per unit exceeds the book value per unit for non-qualified withdrawals from the fund in order to provide maximum value, utility and benefit to policyholders as taught by Schoen (§39).

**As per Claim 32**, Schoen discloses a method for providing stable value to company owned life insurance policy holders, the method comprising: creating a stable value fund to provide a plurality of stable returns to a plurality of life insurance company separate

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accounts (§5, Insurance companies may offer permanent policies under two distinct legal structures.... The second policy design ... is a separate account policy design, or variable policy), the stable returns correlated to a plurality of life insurance policies issued by the separate accounts (§5, Insurance companies may offer permanent policies under two distinct legal structures.... The second policy design ... is a separate account policy design, or variable policy and §12, During the mid-1990s a derivative financial product referred to as a stable value wrap or redemption value wrap was developed as a means of countering the undesirable earnings volatility attendant to GAAP accounting for separate account life insurance products); receiving investments in the stable value fund from the separate accounts, wherein each separate account participates in the risk from early withdrawal by any of the other separate accounts (§97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled), or the benefit from early withdrawal by any of the other separate accounts (§97, Participant must contribute collateral equal to its prorated ratio of risk and/or profit participation and §101, Participant must accept additional risk exposure (and profit participation) and collateral contribution requirements equal to its prorated share of remaining pool members in the event a pool member is expelled); entering into a stable value derivative contract with a wrap provider (§12, During the mid-1990s a derivative financial product referred to as a stable value wrap and §16, Certain institutional buyers can now utilize a stable value

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wrap/financial guarantee or redemption value wrap). Schoen does not explicitly disclose calculating a book value per unit for each separate account using a crediting rate; reporting the book value per unit to each separate account; periodically resetting the crediting rate; recalculating the book value per unit; and reporting the recalculated book value per unit to each separate account. However, Koppes teaches calculating a book value per unit for each separate account using a crediting rate (Column 3, Line 20-24, The Stable Value Protected funds provide an initial targeted return for the first period of an investment. Upon completion of the first period, the value of the fund, the "market value," is compared with the "calculated" value of the fund which is the "book value". The "calculated" value of the fund is calculated by multiplying the initial value of the fund by  $(1 + \text{targeted return})$ ...Column 5, Lines 39-40, the targeted returns are translated into unit values (UV) on a daily basis for each fund); reporting the book value per unit to each separate account (Column 5, Lines 38-44, To perform these functions, the present invention calculates and stores, for each fund, the following: the fund duration, the portfolio allocation, the targeted return given the market value and duration of the fund, the current yield-to-market, and the stored book value); periodically resetting the crediting rate (Column 12, Lines 50-58, The system then imports the YTM from the sub-adviser and imports the initial credit rate information and the adjusted credit rate); recalculating the book value per unit (Column 3, Line 20-24, The Stable Value Protected funds provide an initial targeted return for the first period of an investment. Upon completion of the first period, the value of the fund, the "market value," is compared with the "calculated" value of the fund which is the "book value".

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The "calculated" value of the fund is calculated by multiplying the initial value of the fund by  $(1 + \text{targeted return})$ . Column 5, Lines 39-40, the targeted returns are translated into unit values (UV) on a daily basis for each fund); and reporting the recalculated book value per unit to each separate account (Column 3, Line 20-24, The Stable Value Protected funds provide an initial targeted return for the first period of an investment. Upon completion of the first period, the value of the fund, the "market value," is compared with the "calculated" value of the fund which is the "book value". The "calculated" value of the fund is calculated by multiplying the initial value of the fund by  $(1 + \text{targeted return})$ . Column 5, Lines 39-40, the targeted returns are translated into unit values (UV) on a daily basis for each fund). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen with the teachings of Koppes to include calculating a book value per unit for each separate account using a crediting rate; reporting the book value per unit to each separate account; periodically resetting the crediting rate; recalculating the book value per unit; and reporting the recalculated book value per unit to each separate account. A person having ordinary skill in the art at the time the invention was made would have been motivated to do so in order to have a method to track, reconcile, and administer the values of the life insurance policies in separate accounts as taught by Koppes (Column 11, Lines 60-62).

**36. Claims 3 and 4 are rejected under 35 U.S.C. 103(a) as being unpatentable over Schoen in view of U.S. Patent No. 6,049,772 to Payne et al. (hereinafter Payne).**

**37. As per Claim 3,** Schoen does not explicitly disclose a method according to claim 1, further comprising: using the stable returns to fund employee benefit plans.

However, Payne teaches using life insurance to fund employee benefit plans (Column 1, Lines 17- 28, Corporations may purchase or sponsor life insurance as a financing vehicle for benefit plan costs or other liabilities). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to use the stable value returns from the life insurance policies to fund employee benefit plan. A person having ordinary skill in the art at the time the invention was made would have been motivated to do so because such policies can have beneficial tax consequences for the corporation as taught by Payne. (Column 1, Lines 22-23).

**38. As per Claim 4,** Schoen does not disclose a method according to claim 1, further comprising: using the stable returns to hedge employee benefit plans. However, Payne teaches using stable returns for hedging (Column 3, Lines 60-65, the insurance company's existing asset and liability matching system can be used to appropriately invest in fixed assets to hedge interest rate changes). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen with the teachings of Payne so as to use the stable returns to hedge employee benefit plans. A person having ordinary skill in the art at the

time the invention was made would have been motivated to do so to stabilize returns because earnings may vacillate wildly from reporting period to reporting period according to the movement of interest rates (in the case of fixed income investment) as taught by Schoen (¶10).

**39. Claims 5-6 and 22-25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Schoen.**

**40. As per Claim 5**, Schoen does not explicitly disclose a method according to claim 1, further comprising: periodically adjusting values of the first and second stable returns. However, Schoen does teach adjusting participation periodically and adjusting revenue and sharing risk (¶44, adjusting the participation periodically and ¶22, risk and revenue is automatically adjusted). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to adjust the values of the first and second stable returns periodically in order to counteract volatility as taught by Schoen (¶10, Because separate account policies require the policy owner to accept all investment risk, credit-risk, interest-rate risk and the market risk associated with the underlying investment securities, GAAP accounting requires earnings to fully reflect any volatility resulting from changes in the market value of the underlying investment securities. Consequently, earnings may vacillate wildly from reporting period to reporting period according to the movement of interest rates (in the case of fixed income investments) or the stock market (in the case of equity investments).

**41. As per Claim 6**, Schoen does not explicitly disclose a method according to claim 1, wherein the first and second entities are separate accounts of a life insurance

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company. However, Schoen teaches separate accounts are the preferred structure for certain types of companies ( ¶12- Stable value wraps have enabled separate account policies to rapidly overtake general account policies as the preferred policy structure for banks and other financial institutional buyers of life insurance). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to have the first and second entities be separate accounts of a life insurance company. A person having ordinary skill in the art at the time the invention was made would have been motivated to do so as a means of limiting the insurer's exposure to loss as taught by Schoen (¶9).

42. **As per Claim 22**, Schoen does not explicitly a method according to claim 13, further comprising: determining interest of a new investment in the fund using a book value of the fund. However, Schoen new investment in the fund (¶23, The agreement can also stipulate the process and terms for appointing a replacement wrap/financial guarantee provider (for a vacant slot) or for adding new slots and wrap/financial guarantee providers according to the aggregate business written or other criteria).

Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made modify the invention of Schoen to determining interest of a new investment in the fund using a book value of the fund as a matter of design choice in structuring the investment.

43. **As per Claim 23**, Schoen discloses a method according to claim 13, further comprising: making distributions at book value per unit (¶12, Generally, the wrap provider promises to pay the policyholder the "book value" of its portion of assets within

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the policy separate account in the event the policy owner surrenders the policy).

Schoen does not explicitly disclose a method according to claim 13, further comprising: liquidating the fund. However, Examiner notes that in a company owned life insurance contract the employer has the right to elect liquidation of the contract. Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to make distributions at book value per unit upon liquidation in order to meet the primary goal of a stable value investment which is to provide a stable return on the principal paid into the investment.

**As per Claim 24**, Schoen does not explicitly disclose a method according to claim 13, further comprising: liquidating the fund. However, Examiner notes that in a company owned life insurance contract the employer has the right to elect liquidation of the contract. Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to make distributions at book value per unit upon liquidation in order to meet the primary goal of a stable value investment which is to provide a stable return on the principal paid into the investment. Schoen, also, does not explicitly disclose receiving a payment in an amount sufficient to increase the market value per unit to equal the book value per unit, if the book value per unit is greater than the market value per unit. However, Schoen teaches making a payment when the book value per unit exceeds the market value per unit and qualified withdrawal occurs (§12, The formula for crediting earnings to the policy cash value serves to build a cushion of future earnings from which the wrap provider can offset losses in the event of a policy-surrender while book-value is greater

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than market-value). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to have the policy receive payments in an amount sufficient to increase the market value per unit to equal the book value per unit when the book value per unit exceeds the market value per unit and the market value is less than an amount of the qualified withdrawal in order to build a cushion of future earnings from which the wrap provider can offset losses as taught by Schoen (§12)

**As per Claim 25**, Schoen does not explicitly disclose a method according to claim 13, further comprising: liquidating the fund. However, Examiner notes that in a company owned life insurance contract the employer has the right to elect liquidation of the contract. Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to include the ability to liquidate the fund in order to allow employers to decide whether or not to continue the investment. Schoen, also, does not explicitly disclose making a payment in an amount corresponding to an excess of the market value per unit over the book value per unit, if the market value per unit is greater than the book value per unit. However, Schoen teaches making a payment back to credit holders in the case of a profit (§39, For example, marginal profit above a certain threshold can be progressively credited back to policyholders). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen to disclose making a payment in an amount corresponding to an excess of the market value per unit over the book value per unit, if the market value per unit is

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greater than the book value per unit in order to provide maximum value, utility and benefit to policyholders as taught by Schoen (§39).

**44. Claims 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over Schoen in view of Koppes and in further view Payne.**

**45. As per Claim 8,** Neither Schoen nor Koppes explicitly disclose a method according to claim 7, wherein the company is a corporation. However, Payne teaches corporations owing life insurance policies (Column 1, Lines 17- 28, Corporations may purchase or sponsor life insurance as a financing vehicle for benefit plan costs or other liabilities). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention of Schoen with the teachings of Payne so that the company is a corporation because such policies can have beneficial tax consequences for the corporation as taught by Payne (Column 2, Lines 17-28).

**46. Claims 10 is rejected under 35 U.S.C. 103(a) as being unpatentable over Schoen in view of Koppes and in further view of U.S. Patent No. 5, 802,500 to Ryan et al. (hereinafter Ryan).**

**47. As per Claim 10,** Schoen does not explicitly disclose a method according to claim 7, wherein the company is a trust. However, Ryan teaches a trust owing life insurance policies (Column 2, Lines 29-31, The combination of a VEBA or other taxable trust with specially designed life insurance contracts is typically referred to as TOLI (Trust Owned Life Insurance). Therefore, it would have been obvious to a person having ordinary skill in the art at the time the invention was made to modify the invention

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of Schoen with the teachings of Ryan so that the company is a trust. A person having ordinary skill in the art at the time the invention was made would have been motivated to do so that the life insurance receives favorable tax treatment as taught by Ryan (Column 2, Lines 17-20).

48. **Note:** Examiner has pointed out particular references contained in the prior arts of record in the body of this action for the convenience of the applicant. Although the specified citations are representative of the teachings in the art and are applied to the specific limitations within the individual claim, other passages and figures may apply as well. It is respectfully requested from the applicant, in preparing the response, to consider fully the entire references as potentially teaching all or part of the claimed invention, as well as the context of the passage as taught by the prior arts or disclosed by the examiner.

### ***Conclusion***

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Kellie Campbell whose telephone number is (571) 270-5495. The examiner can normally be reached on Monday through Thursday, 6:30 am to 5 pm est. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Bradley Bayat can be reached on 571-272-6704. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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K. C.

Examiner, Art Unit 4115

/Bradley B Bayat/

Supervisory Patent Examiner, Art Unit 4115